SS – 595

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V Semester B.B.M. Examination, November/December 2018
(Repeaters) (Prior to 2014 – 15)
BUSINESS MANAGEMENT
5.2 : Management Accounting

Time : 3 Hours Max. Marks : 100

Instruction : *Answers should be written in* ***English*** *only.*

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SECTION – A

Answer **any ten** of the following sub-questions. **Each** sub-question carries **two** marks. **(2×10=20)**

1. a) Define Management Accounting.

   b) What are the duties of a management accountant ?

   c) Name liquidity ratios.

   d) When does the flow of fund take place ?

   e) What do you mean by cash flow statement ?

   f) What is contribution ?

   g) What is P/V ratio ?

   h) What are the objectives of budgetary control ?

   i) What do you mean by a budget ?

P.T.O.

j) Determine the amount of variable cost from the following particulars :

Sales – ₹ 1,50,000

Fixed cost – ₹ 30,000

Profit – ₹ 40,000

k) Calculate current ratio, when inventory is ₹ 80,000, prepaid expenses are ₹ 2,000; quick ratio is 2.5 to 1 and current liabilities are ₹ 50,000.

l) What is 'capital employed' ?

SECTION – B

Answer **any five** questions. **Each** question carries **five** marks. **(5×5=25)**

2. Name any five accounting ratios and briefly explain their significance.

3. Explain the term break-even point. How is it determined ?

4. What are budgets ? Mention the types of budgets prepared by a big industrial undertaking.

5. State with reasons whether the following transactions result in the increase or decrease of working capital or do not affect the working capital.

   a) Machinery purchased for ₹ 4,00,000 by issue of equity shares of the same amount.

   b) Buildings purchased for cash ₹ 3,00,000.

   c) Bills receivable ₹ 20,000 was discounted for ₹ 18,000.

   d) 12% debentures of ₹ 1,00,000 redeemed at 10% premium.

   e) Goodwill written off ₹ 10,000.

6. From the following compute :

   a) Current ratio

   b) Quick ratio

   c) Absolute liquid ratio.

	₹
Stock-in-trade	1,00,000
Creditors	60,000
Debtors	80,000
Bills payable	10,000
Cash in hand	40,000
Prepaid expenses	5,000
Bills receivable	45,000

7. Calculate cash from operating activities from the following :

Details	**2014 (₹)**	**2015 (₹)**
Retained earnings	1,40,000	2,00,000
Outstanding expenses	2,000	6,000
Prepaid expenses	4,000	8,000
Depreciation		16,000
Dividend paid	–	20,000
General expenses	–	15,500

8. Sale of product amounts to 200 units per month at ₹ 10 per unit. Fixed overhead is ₹ 400 per month and variable cost is ₹ 6 per unit.

   There is a proposal to reduce prices by 10%. Calculate present and future P/V ratio. How many units must be sold to earn the present total profit ?

SECTION – C

Answer **any three** questions. **Each** question carries **15** marks. **(15×3=45)**

9. The following are the summaries of the Balance Sheet of XY Ltd. as at 31st Dec. 2013 and 2014.

Balance Sheet

Liabilities	**2013**	**2014**	**Assets**	**2013**	**2014**
	₹	₹		₹	₹
Share Capital	4,00,000	5,00,000	Land and		
General Reserve	1,00,000	1,20,000	Buildings	4,00,000	3,80,000
Profit and Loss A/c	61,000	61,600	Plant	3,00,000	3,48,000
Bank loan			Stock	2,00,000	1,48,000
(short-term)	1,40,000	–	Debtors	1,60,000	1,28,400
Creditors	3,00,000	2,70,000	Cash	1,000	1,200
Provision for			Bank	–	16,000
taxation	60,000	70,000			
	10,61,000	**10,21,600**		**10,61,000**	**10,21,600**

Additional information :

a) Depreciation was written off on Plant ₹ 28,000 in 2014.

b) Dividend of ₹ 40,000 was paid during 2014.

c) Income tax provision was made during the year ₹ 50,000.

d) A piece of land has been sold during the year at cost.

You are required to prepare a statement showing source and application of funds for the year 2014 and the schedule of changes in working capital.

10. From the following information relating to KSP Ltd. in respect of the year ended 31st March 2013. Prepare Trading and Profit and Loss Account.

a) Gross profit ratio – 25%

b) Net profit ratio – 20%

c) Stock turnover ratio – 10

d) Net profit/capital – $1/5$

e) Fixed assets/capital – $5/4$

f) Fixed assets – ₹ 7,50,000

g) Closing stock – ₹ 80,000

11. The expenses budget for production of 10000 units of a product of a manufacturing unit is given below :

	Cost per unit ₹
Materials	50
Labour	20
Variable o/h's	15
Fixed o/h's (₹ 60,000)	6
Direct expenses	5
Selling expenses (10% fixed)	10
Distribution expenses (20% fixed)	10
Administrative expenses (₹ 40,000)	4
Total cost of sales	**120**

You are required to prepare flexible budgets for 6,000 units and 8,000 units and 10,000 units.

12. The following information relates to working of a company for 2 years.

Year	Sales	Cost
2012	9,00,000	7,50,000
2013	12,00,000	9,75,000

Calculate :

a) BEP

b) MOS

c) Profit when sales is ₹ 15,00,000

d) Sales to earn a profit of ₹ 6,00,000.

13. Following are the summarised Balance Sheets of a company Ltd. as on 31-3-2014 and 31-3-2015.

Capital and Liabilities	2014	2015	Assets	2014	2015
	₹	₹		₹	₹
Share capital	5,00,000	5,00,000	Premises	4,75,000	5,00,000
General reserve	1,50,000	1,25,000	Machinery	4,22,500	3,75,000
P&L A/c	76,500	76,250	Equipment	40,500	45,000
Term loan	1,55,000	1,75,000	Stock	74,000	1,00,000
Sundry Creditors	2,31,250	2,75,000	Sundry Debtors	1,60,000	2,00,000
Provision for taxation	76,250	84,250	Cash	7,000	3,000
			Bank	10,000	–
			Goodwill	–	12,500
	11,89,000	**12,35,500**		**11,89,000**	**12,35,500**

Additional information

1) Interim dividend paid ₹ 25,000.

2) Depreciation on premises is provided at 5%.

3) Machinery of ₹ 75,000 was acquired during the year.

4) Income tax provision for the year was ₹ 75,000.

Prepare Cash Flow Statement in accordance with AS-3.

SECTION – D **(10×1=10)**

14. Distinguish between Financial Accounting and Management Accounting.